

MARION COUNTY  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2004

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# MARION COUNTY

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2004)		
Robert DeJoode	Board of Supervisors	Jan. 2005
William Shepherd	Board of Supervisors	Jan. 2005
Howard Pothoven	Board of Supervisors	Jan. 2007
Jake Grandia	County Auditor	Jan. 2005
Denise Emal	County Treasurer	Jan. 2007
Karen Schwanebeck	County Recorder	Jan. 2007
Gary Verwers	County Sheriff	Jan. 2005
Terry Rachels	County Attorney	Jan. 2007
Michael May	County Assessor	Jan. 2004
(After January 2004)		
Robert DeJoode	Board of Supervisors	Jan. 2005
William Shepherd	Board of Supervisors	Jan. 2005
Howard Pothoven	Board of Supervisors	Jan. 2007
Jake Grandia	County Auditor	Jan. 2005
Denise Emal	County Treasurer	Jan. 2007
Karen Schwanebeck	County Recorder	Jan. 2007
Gary Verwers	County Sheriff	Jan. 2005
Terry Rachels	County Attorney	Jan. 2007
Michael May	County Assessor	Jan. 2010

## INDEPENDENT AUDITOR'S REPORT

To the Officials of Marion County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marion County, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of Marion County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Marion County at June 30, 2004 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated January 28, 2005 on our consideration of Marion County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 14 and 50 through 52 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Marion County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 11, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa  
January 28, 2005

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Management of Marion County, Iowa provides this Management's Discussion and Analysis of Marion County's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **FINANCIAL HIGHLIGHTS**

County governmental funds revenue increased 7% or 1,043,503 from 2003 to 2004. Property and other county taxes increased approximately \$540,000.

County governmental funds program expenses were 17.5%, or approximately \$2,580,000 more in 2004 than 2003. Capital project expenditures increased approximately \$1,890,000.

The County's net assets increased 11.9% or approximately \$2,381,593 at June 30, 2004.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the government's financial activities.

The Government-wide Financial Statements consists of a statement of net assets and a statement of activities. These provide information about the activities of Marion County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Marion County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Marion County acts solely as an agent or custodian for the benefit of those outside of the government.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the County's budget for the year.

Supplementary Information provides detailed information about the nonmajor special revenue and the individual fiduciary funds.

## **REPORTING THE COUNTY AS A WHOLE**

### *The Statement of Net Assets and the Statement of Activities*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The statement of net assets and the statement of activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The statement of net assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are displayed in the statement of net assets and the statement of activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration or general government, interest on long-term debt and other non-program activities. Property tax and state and federal grants finance most of these activities.

## *Fund Financial Statements*

The County has three kinds of funds:

1. Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. These governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Mental Health, Rural Service, and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted cash. The governmental fund statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The governmental funds required financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2. Proprietary funds account for the County's employee group health insurance, internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The proprietary funds required financial statements include a statement of net assets, a statement of revenues, expenses, and changes in fund net assets and a statement of cash flows.

3. Fiduciary funds are used to report assets held in trust or agency capacity for others and cannot be used to support the government's own programs. These fiduciary funds include agency funds that account for emergency management services and the county assessor to name a few.

The fiduciary funds required financial statements include a statement of fiduciary assets and liabilities.

A summary reconciliation between government-wide financial statements and the fund financial statements follows the fund financial statements.



## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of financial position.

The County's combined net assets increased by \$2,381,593 from FY 2003. The increase in net assets is due to an increase in Capital Assets consisting of primarily Construction in Progress on the County Courthouse Roof Project. Our analysis below focuses on the net assets of the County's governmental activities.

Net Assets of Governmental Activities		
	2003	2004
Current and other assets	\$15,400,153	15,511,646
Capital assets	12,520,973	16,361,051
Total assets	27,921,126	31,872,697
Long-term debt outstanding	379,049	970,143
Other Liabilities	7,596,423	8,575,307
Total Liabilities	7,975,472	9,545,450
Net assets:		
Invested in capital assets, net of related debt	12,520,973	15,601,051
Restricted	5,249,963	5,969,765
Unrestricted	2,174,718	756,431
Total net assets	\$19,945,654	22,327,247

Net assets of the County's governmental activities increased by 11.9%. The largest portion of the County's net assets is Invested in Capital Assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the Investment in Capital Assets is liquidated with sources other than capital assets. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, decreased from \$2,174,718 at June 30, 2003 to \$756,431 at the end of this year, a decrease of 65.2 percent.

This reduction of \$1,418,287 in unrestricted net assets was a result of increased expenditures for capital projects involving the courthouse roof project.

Changes in Net Assets of Governmental Activities

	2003	2004	Net Change
Revenues:			
Program revenues:			
Charges for service and sales	\$ 1,689,476	2,030,326	340,850
Operating grants and contributions	5,643,466	6,032,692	389,226
Capital grants and contributions	3,796,000	2,082,046	(1,713,954)
General revenues:			
Property tax, state credits, penalty	7,258,804	7,408,594	149,790
Local option sales and services tax	0	409,021	409,021
Grants and contributions not restricted to specific purposes	266,953	75,340	(191,613)
Unrestricted investment earnings	107,473	84,158	(23,315)
Other general revenues	22,883	59,258	36,375
Total revenues	18,785,055	18,181,435	(603,620)
Program expenses:			
Public safety and legal services	2,111,732	2,054,096	(57,636)
Physical health and social services	2,098,510	2,157,934	59,424
Mental health	2,441,388	2,406,394	(34,994)
County environment and education	884,632	1,100,250	215,618
Roads and transportation	4,770,406	5,050,687	280,281
Government services to residents	439,084	447,361	8,277
Administration or general government	1,717,892	2,079,081	361,189
Capital Projects	520,494	472,763	(47,731)
Interest on long-term debt	17,600	31,276	13,676
Total expenses	15,001,738	15,799,842	798,104
Increase (decrease) in net assets	3,783,317	2,381,593	(1,401,724)
Net assets July 1 (restated for FY 2004)	16,162,337	19,945,654	
Net assets June 30	\$ 19,945,654	22,327,247	

The County's total government wide revenues decreased 3.21%. The total government wide cost of all programs and services increased 5.3%. Even with the modest decline in revenues, the County still did manage to cover this year's costs.

## Governmental Activities

Property and other County tax revenue for the year increased 2.7%. The County decreased property tax rates in 2004 by \$.01301. This decrease, along with higher taxable countywide valuations, raised the County's tax revenues by approximately \$183,842 in 2004. Property tax revenues are budgeted to increase by an additional \$700,000 next year.

The cost of all governmental activities this year was \$15,799,842 compared to \$15,001,738 last year. However, as shown in the Statement of Activities on page 10, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$5,654,778 because some of the cost was paid by those directly benefiting from the programs or by other governments and organizations that subsidized certain programs with grants and contributions. The County's governmental program revenues, including grants, intergovernmental aid, and fees for services, decreased in 2004 from \$11,128,942 to \$10,145,064.

### **THE COUNTY'S INDIVIDUAL MAJOR FUNDS**

As the County completed the year, its governmental funds reported a combined fund balance of \$7,033,558 which is less than last year's total of \$7,692,145. The County funds received \$658,587 less than were expended for the year. The following are the major reasons for the changes in fund balances for the year:

General Fund revenues remained consistent when compared to the prior year. General Fund expenses increased dramatically from \$7,177,929 in 2003 to \$8,813,267 in 2004 or 22.78%. The increase in expense can be directly attributed to an increase in spending for capital projects involving the courthouse roof and fourth floor remodeling project.

The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$2,392,307 a decrease of 2% from the prior year. The Mental Health Fund balance at year end increased by \$401,847 or 68% over the prior year.

Rural Service Fund revenues increased 10.4% from \$1,377,012 in 2003 to \$1,519,684 in 2004. The Rural Service ending fund balance decreased by \$140,095 or 32%. Secondary Roads Fund expenditures increased by \$376,466 over the prior year, due principally to an increase in roadway maintenance as the County continues to aggressively upgrade the condition of the County roadway system. The County has adopted a five year plan to replace aging equipment and bring all County secondary roads up to the standards established by the County Planning Committee, and adopted by the County Board of Supervisors, on April 12, 2004. Transfers-in decreased slightly by \$10,191. The ending fund balance in the Secondary Roads Fund was \$2,119,609 an increase of \$286,095 over the prior year.

## BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except agency funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on a cash basis. Over the course of the year, the County amended its operating budget one time. The amendment was made on May 24, 2004. Highlights of the budget amendment were the addition of Local Option Sales and Services Tax revenues and capital projects expenditures due to the Courthouse Roof and Fourth Floor Remodeling Project. The Debt Service function area was the only budget area exceeded at year end. It was exceeded by \$11,154 due to the first interest payment on the courthouse improvement bonds that was overlooked and not included in the budget.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of FY04, Marion County had approximately \$16,361,051 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net increase (including additions and deletions) of approximately \$3,646,663, or 28.7% over last year.

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#### Capital Assets of Governmental Activities at Year End

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	2004	2003
Land & other non-depreciated assets	\$ 2,751,527	407,280
Buildings & Improvements	2,084,093	2,186,981
Machinery & Equipment	2,056,991	2,136,095
Infrastructure	9,468,440	7,790,617
Totals	\$ 16,361,051	12,520,973

## **Long-term Liabilities**

At year-end, the County had approximately \$970,000 in outstanding long-term liabilities compared to approximately \$379,000 last year as shown below.

Long-term Liabilities of Governmental Activities at Year-End		
	2004	2003
Urban Renewal Tax Increment Bonds	\$ 160,000	230,000
Compensated absences	210,143	149,049
General Obligation Courthouse Improvement Bonds	600,000	0
Totals	\$ 970,143	379,049

Debt increased as a result of the issuance of General Obligation Bonds for courthouse improvements. Other obligations include accrued vacation pay and compensatory time. More detailed information about the County's long-term liabilities is presented in Note 7 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Marion County's elected and appointed officials and citizens considered many factors when setting the 2005 fiscal year budget, tax rates, and the fees that will be charged for the various County activities. One of those factors is the economy. Residential sales of property in the County continue to be strong. Countywide valuations decreased by 3.7% in 2004 due to a decrease in agricultural values and lowering of state rollbacks on residential and commercial property. Unemployment in the State now stands at 5.1 percent versus 4.4 percent a year ago. The Consumer Price Increase was 2.20%.

These indicators were taken into account when adopting the County budget for 2005. Amounts available for appropriation in the operating budget are \$18,132,516, an increase of 7.7 percent over the final 2004 budget. Property tax rates, increases in assessed valuations, and grant receipts are expected to support this increase. Marion County will use these increases in receipts to finance programs currently offered and offset the effect we expect inflation to have on program costs. The County has added no major new programs to the 2005 budget but did begin a new County Law Enforcement Center Project.

If these estimates are realized, the County's budgetary operating balance is expected to decrease modestly by the close of 2005

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Marion County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, Marion County, 214 E Main Street, Knoxville, Iowa.

## Basic Financial Statements

MARION COUNTY  
STATEMENT OF NET ASSETS  
June 30, 2004

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 6,304,715
Receivables:	
Property tax:	
Delinquent	31,207
Succeeding year	7,550,000
Interest and penalty on property tax	31,777
Accounts	79,595
Accrued interest	30,783
Due from other governments	506,873
Inventories	926,891
Prepaid expenses	49,805
Capital assets, net of accumulated depreciation (note 5)	<u>16,361,051</u>
Total assets	<u>31,872,697</u>
Liabilities	
Accounts payable	557,251
Salaries and benefits payable	141,500
Due to other governments (note 6)	171,268
Accrued interest payable	2,397
Health claims incurred but not reported	152,891
Deferred revenue:	
Succeeding year property tax	7,550,000
Long-term liabilities (note 7):	
Portion due or payable within one year:	
Urban renewal tax increment revenue bonds	80,000
General obligation courthouse improvement bonds	50,000
Compensated absences	210,143
Portion due or payable after one year:	
Urban renewal tax increment revenue bonds	80,000
General obligation courthouse improvement bonds	<u>550,000</u>
Total liabilities	<u>9,545,450</u>



MARION COUNTY  
STATEMENT OF NET ASSETS  
June 30, 2004

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 15,601,051
Restricted for:	
Supplemental levy purposes	1,872,315
Mental health purposes	988,242
Rural services purposes	301,358
Secondary roads	2,030,130
Debt service	17,299
Other special revenue purposes	760,421
Unrestricted	<u>756,431</u>
Total net assets	\$ <u><u>22,327,247</u></u>

See notes to financial statements.

MARION COUNTY  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Governmental Activities:					
Public safety and legal services	\$ 2,054,096	\$ 192,030	\$ 17,373	\$ -	\$ (1,844,693)
Physical health and social services	2,157,934	234,230	1,136,133	-	(787,571)
Mental health	2,406,394	236,781	1,459,842	-	(709,771)
County environment and education	1,100,250	248,364	133,765	-	(718,121)
Roads and transportation	5,050,687	330,900	3,285,579	2,082,046	647,838
Government services to residents	447,361	591,976	-	-	144,615
Administration	2,079,081	196,045	-	-	(1,883,036)
Interest on long-term debt	31,276	-	-	-	(31,276)
Capital projects	472,763	-	-	-	(472,763)
Total	<u>\$ 15,799,842</u>	<u>\$ 2,030,326</u>	<u>\$ 6,032,692</u>	<u>\$ 2,082,046</u>	<u>(5,654,778)</u>
General Revenues:					
Property and other county tax levied for:					
General purposes					6,874,796
Debt service					72,789
Penalty and interest on property tax					116,541
State tax credits					344,468
Local option sales and services tax					409,021
Grants and contributions not restricted to a specific purpose					75,340
Unrestricted investment earnings					84,158
Miscellaneous					59,258
Total general revenues					<u>8,036,371</u>
Change in net assets					2,381,593
Net assets beginning of year, as restated (note 12)					<u>19,945,654</u>
Net assets end of year					\$ 22,327,247

See notes to financial statements.

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MARION COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2004

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 2,941,542	\$ 1,244,054	\$ 305,238	\$ 1,089,004
Receivables:				
Property tax:				
Delinquent	20,729	3,851	6,410	-
Succeeding year	4,790,000	1,035,000	1,562,000	-
Interest and penalty on property tax	31,777	-	-	-
Accounts	55,215	3,864	-	19,525
Accrued interest	29,985	-	-	-
Due from other governments	158,828	-	35,290	242,177
Inventories	-	-	-	926,891
Prepaid expenses	49,805	-	-	-
Total assets	<u>\$ 8,077,881</u>	<u>\$ 2,286,769</u>	<u>\$ 1,908,938</u>	<u>\$ 2,277,597</u>

Nonmajor Governmental Funds	Total Governmental Funds
\$ 719,757	\$ 6,299,595
217	31,207
163,000	7,550,000
-	31,777
991	79,595
798	30,783
70,578	506,873
-	926,891
-	49,805
<u>\$ 955,341</u>	<u>\$ 15,506,526</u>

MARION COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2004

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 327,444	\$ 69,963	\$ 42,870	\$ 104,750
Salaries and benefits payable	74,632	13,075	555	53,238
Due to other governments (note 6)	-	171,268	-	-
Deferred revenue:				
Succeeding year property tax	4,790,000	1,035,000	1,562,000	-
Other	44,621	3,071	5,062	-
Total liabilities	<u>5,236,697</u>	<u>1,292,377</u>	<u>1,610,487</u>	<u>157,988</u>
Fund balance:				
Reserved for:				
Inventories	-	-	-	926,891
Prepaid expenses	49,805	-	-	-
Supplemental levy purposes	1,829,286	-	-	-
Debt service	-	-	-	-
Unreserved, reported in:				
General fund	962,093	-	-	-
Special revenue funds	-	994,392	298,451	1,192,718
Total fund balances	<u>2,841,184</u>	<u>994,392</u>	<u>298,451</u>	<u>2,119,609</u>
Total liabilities and fund balances	<u>\$ 8,077,881</u>	<u>\$ 2,286,769</u>	<u>\$ 1,908,938</u>	<u>\$ 2,277,597</u>

See notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 12,224	\$ 557,251
-	141,500
-	171,268
163,000	7,550,000
195	52,949
<u>175,419</u>	<u>8,472,968</u>
-	926,891
-	49,805
-	1,829,286
19,501	19,501
-	962,093
<u>760,421</u>	<u>3,245,982</u>
<u>779,922</u>	<u>7,033,558</u>
<u>\$ 955,341</u>	<u>\$ 15,506,526</u>

## MARION COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2004

Total fund balances of governmental funds	\$ 7,033,558
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$25,954,788 and the accumulated depreciation is \$9,593,737.	16,361,051
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Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	52,949
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The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets.	(147,771)
--	-----------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(2,397)
--	---------

Long-term liabilities, including bonds payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<div style="border-top: 1px solid black; display: inline-block;">(970,143)</div>
---	--

Net assets of governmental activities	<div style="border-top: 3px double black; display: inline-block;">\$ 22,327,247</div>
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See notes to financial statements.



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## MARION COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2004

	Special Revenue			
	General	Mental Health	Rural Service	Secondary Roads
Revenues:				
Property and other County tax	\$ 4,537,254	\$ 1,043,080	\$ 1,446,198	\$ -
Interest and penalty on property tax	116,541	-	-	-
Intergovernmental	1,555,064	1,511,822	73,414	3,285,579
Licenses and permits	9,425	-	-	6,808
Charges for service	1,010,098	236,781	-	45,714
Use of money and property	90,831	-	-	-
Miscellaneous	203,079	2,471	72	291,579
Total revenues	<u>7,522,292</u>	<u>2,794,154</u>	<u>1,519,684</u>	<u>3,629,680</u>
Expenditures:				
Operating:				
Public safety and legal services	1,980,938	-	-	-
Physical health and social services	2,125,821	-	-	-
Mental health	-	2,392,307	-	-
County environment and education	782,745	-	277,136	-
Roads and transportation	-	-	-	4,438,694
Government services to residents	417,996	-	2,608	-
Administration	1,829,523	-	122,588	-
Debt service	-	-	-	-
Capital projects	1,676,244	-	-	338,741
Total expenditures	<u>8,813,267</u>	<u>2,392,307</u>	<u>402,332</u>	<u>4,777,435</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,290,975)</u>	<u>401,847</u>	<u>1,117,352</u>	<u>(1,147,755)</u>
Other financing sources (uses):				
Sale of capital assets	-	-	-	25,600
Interfund transfers in	-	-	-	1,408,250
Interfund transfers out	(151,038)	-	(1,257,447)	-
General obligation bonds issued (net of \$4,800 of issuance costs)	-	-	-	-
Total other financing sources (uses)	<u>(151,038)</u>	<u>-</u>	<u>(1,257,447)</u>	<u>1,433,850</u>
Net change in fund balances	(1,442,013)	401,847	(140,095)	286,095
Fund balances beginning of year	<u>4,283,197</u>	<u>592,545</u>	<u>438,546</u>	<u>1,833,514</u>
Fund balances end of year	<u>\$ 2,841,184</u>	<u>\$ 994,392</u>	<u>\$ 298,451</u>	<u>\$ 2,119,609</u>

See notes to financial statements.

Nonmajor Governmental			
Funds		Total	
\$	277,125	\$	7,303,657
	-		116,541
	120,961		6,546,840
	-		16,233
	153,512		1,446,105
	2,727		93,558
	705		497,906
	<u>555,030</u>		<u>16,020,840</u>
	9,918		1,990,856
	-		2,125,821
	-		2,392,307
	-		1,059,881
	-		4,438,694
	7,689		428,293
	-		1,952,111
	95,254		95,254
	802,025		2,817,010
	<u>914,886</u>		<u>17,300,227</u>
	<u>(359,856)</u>		<u>(1,279,387)</u>
	-		25,600
	235		1,408,485
	-		(1,408,485)
	<u>595,200</u>		<u>595,200</u>
	<u>595,435</u>		<u>620,800</u>
	235,579		(658,587)
	<u>544,343</u>		<u>7,692,145</u>
\$	<u><u>779,922</u></u>	\$	<u><u>7,033,558</u></u>

## MARION COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2004

Net change in fund balances - total governmental funds \$ (658,587)

Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures while  
governmental activities report depreciation expense to allocate those  
expenditures over the life of the assets. The amount of capital outlays and  
depreciation expense in the current year are as follows:

	Capital outlays	\$ 2,859,040		
Capital assets contributed by the Iowa Department of Transportation	2,082,046			
Depreciation expense	<u>(1,101,008)</u>		3,840,078	

Because some revenues will not be collected for several months after the  
County's year end, they are not considered available revenues and are  
deferred in the governmental funds.

	Property tax		52,949	
--	--------------	--	--------	--

Bond proceeds (net of \$4,800 of issuance costs) provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.			(595,200)	
--	--	--	-----------	--

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.			70,000	
--	--	--	--------	--

Some expenses reported in the statement of activities do not require the use  
of current financial resources and, therefore, are not reported as  
expenditures in governmental funds, as follows:

	Bond issuance costs	(4,800)		
	Compensated absences	(61,094)		
Interest on long-term debt	<u>(1,222)</u>		(67,116)	

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.			<u>(260,531)</u>	
--	--	--	------------------	--

Change in net assets of governmental activities		\$ <u><u>2,381,593</u></u>		
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See notes to financial statements.

MARION COUNTY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2004

	<u>Internal Service Funds</u>
Assets	
Cash and cash equivalents	\$ <u>5,120</u>
Liabilities	
Health claims incurred but not reported	<u>152,891</u>
Net Assets	
Unrestricted	\$ <u><u>(147,771)</u></u>
See notes to financial statements.	

MARION COUNTY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
Year Ended June 30, 2004

	<u>Internal Service Funds</u>
Operating revenues:	
Contributions for insurance	\$ <u>1,068,276</u>
Operating expenses:	
Medical claims	1,202,727
Miscellaneous	<u>8,131</u>
Total operating expenses	<u>1,210,858</u>
Operating loss	<u>(142,582)</u>
Non-operating revenues:	
Interest on investments	<u>223</u>
Non-operating expenses:	
Transfer to General Fund to close collision liability	<u>118,172</u>
Net loss	(260,531)
Net assets beginning of year	<u>112,760</u>
Net assets end of year	\$ <u><u>(147,771)</u></u>

See notes to financial statements.

MARION COUNTY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year Ended June 30, 2004

	Internal Service Funds
Cash flows from operating activities:	
Cash received from insurance contributions	\$ 1,068,276
Cash payments to suppliers for services	<u>(1,183,570)</u>
Net cash used in operating activities	<u>(115,294)</u>
Cash flows from capital and related financing activities:	
Cash transferred to close collision liability fund	<u>(118,172)</u>
Cash flows from investing activities:	
Redemption of investments	119,782
Interest on investments	<u>198</u>
Net cash provided by investing activities	<u>119,980</u>
Net decrease in cash and cash equivalents	(113,486)
Cash and cash equivalents at beginning of year	<u>118,606</u>
Cash and cash equivalents at end of year	\$ <u><u>5,120</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (142,582)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Increase in health claims incurred but not reported	<u>27,288</u>
Net cash used in operating activities	\$ <u><u>(115,294)</u></u>

See notes to financial statements.

MARION COUNTY  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2004

## Assets

## Cash and pooled investments:

County Treasurer	\$ 1,262,890
Other County officials (note 4)	261,562

## Receivables:

## Property tax receivable:

Delinquent	66,234
Succeeding year	22,003,000

Accounts	57,374
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Accrued interest	243
------------------	-----

Due from other governments	<u>55,852</u>
----------------------------	---------------

Total assets	<u><u>\$ 23,707,155</u></u>
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## Liabilities

Accounts payable	\$ 108,181
------------------	------------

Salaries and benefits payable	3,173
-------------------------------	-------

Due to other governments (note 6)	23,318,902
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Trusts payable	262,306
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Compensated absences	<u>14,593</u>
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Total liabilities	<u><u>\$ 23,707,155</u></u>
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See notes to financial statements.



MARION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies

Marion County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Marion County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Marion County Assessor's Conference Board, Marion County Emergency Management Commission, Marion County Public Safety Commission and Marion County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

Government-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The statement of net assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

MARION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the main operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Internal Service Funds are used to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

MARION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The proprietary fund of the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

MARION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund are charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2003.

MARION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide statement of net assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 250,000
Land, buildings and improvements	50,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	20-40
Improvements other than buildings	20-40
Infrastructure	30-50
Equipment and vehicles	5-20

MARION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-term Liabilities – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net assets.

In the governmental fund financial statements, the net amount of debt issued after issuance costs have been deducted is reported as other financing sources.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amount budgeted in the Debt Service function.

# MARION COUNTY

## NOTES TO FINANCIAL STATEMENTS Year Ended June 30, 2004

### Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County's deposits at June 30, 2004 are all recorded in financial institution depository accounts.

### Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 150,803
	Special Revenue:	
	Rural Services	1,257,447
Debt Service:		
Urban Renewal Tax Increment	General	<u>235</u>
		<u>\$ 1,408,485</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

MARION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2004

Note 4. Cash – Other County Officials

The following is a summary of cash and investments held by other County officials at June 30, 2004:

Office:

County Auditor:

Office fees	\$	125	
Cemetery trusts		<u>3,625</u>	\$ 3,750

County Recorder:

Office fees			45,363
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Board of Supervisors:

County Care Facility - Residents' Conservator accounts		75,325	
Knoxville Congregate Meals Trust		<u>137,124</u>	<u>212,449</u>

			<u><u>\$ 261,562</u></u>
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MARION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2004

Note 5. Capital Assets

A summary of capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year, as Restated (note 12)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 57,291	\$ -	\$ -	\$ 57,291
Construction in progress	349,989	2,344,247	-	2,694,236
Total capital assets not being depreciated	<u>407,280</u>	<u>2,344,247</u>	<u>-</u>	<u>2,751,527</u>
Capital assets being depreciated:				
Buildings	3,429,710	-	-	3,429,710
Improvements other than buildings	251,987	-	-	251,987
Machinery and equipment	7,721,286	514,793	273,042	7,963,037
Infrastructure	9,476,481	2,082,046	-	11,558,527
Total capital assets being depreciated	<u>20,879,464</u>	<u>2,596,839</u>	<u>273,042</u>	<u>23,203,261</u>
Less accumulated depreciation for:				
Buildings	1,415,130	91,702	-	1,506,832
Improvements other than buildings	79,586	11,186	-	90,772
Machinery and equipment	5,585,191	593,897	273,042	5,906,046
Infrastructure	1,685,864	404,223	-	2,090,087
Total accumulated depreciation	<u>8,765,771</u>	<u>1,101,008</u>	<u>273,042</u>	<u>9,593,737</u>
Total capital assets being depreciated, net	<u>12,113,693</u>	<u>1,495,831</u>	<u>-</u>	<u>13,609,524</u>
Governmental activities capital assets, net	<u>\$ 12,520,973</u>	<u>\$ 3,840,078</u>	<u>\$ -</u>	<u>\$ 16,361,051</u>

MARION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2004

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Public safety and legal services	\$ 56,339
Physical health and social services	4,880
County environment and education	70,026
Roads and transportation	841,165
Government services to residents	19,068
Administration	<u>109,530</u>

Total depreciation expense - governmental activities	\$ <u><u>1,101,008</u></u>
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Note 6. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Services and Collections</u>	<u>Delinquent and Succeeding Year Property Taxes</u>	<u>Total</u>
Special Revenue:				
Mental Health	Services	\$ <u>171,268</u>	\$ <u>-</u>	\$ <u>171,268</u>
Agency:				
County Assessor	Collections	\$ 1,879	\$ 286,946	\$ 288,825
Schools		238,598	13,528,983	13,767,581
Community College		8,507	503,662	512,169
Corporations		92,797	7,245,691	7,338,488
Auto License and Use Tax		583,117	-	583,117
All Other		<u>324,770</u>	<u>503,952</u>	<u>828,722</u>
Total for agency funds		\$ <u><u>1,249,668</u></u>	\$ <u><u>22,069,234</u></u>	\$ <u><u>23,318,902</u></u>

MARION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2004

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	Urban Renewal Tax Increment Revenue Bonds	General Obligation Courthouse Improvement Bonds	Compensated Absences	Total
Balance beginning of year	\$ 230,000	\$ -	\$ 149,049	\$ 379,049
Increases	-	600,000	210,143	810,143
Decreases	70,000	-	149,049	219,049
Balance end of year	<u>\$ 160,000</u>	<u>\$ 600,000</u>	<u>\$ 210,143</u>	<u>\$ 970,143</u>
Due within one year	<u>\$ 80,000</u>	<u>\$ 50,000</u>	<u>\$ 210,143</u>	<u>\$ 340,143</u>

Urban Renewal Tax Increment Revenue Bonds

In October 1994 the County issued urban renewal tax increment revenue bonds for the purpose of defraying a portion of the costs of carrying out an urban renewal project within the County. The bonds are payable solely from the income and proceeds of the Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The bonds are not a general obligation of the County. However, the debt is subject to the constitutional debt limitations of the County.

The County has approved a Board resolution stating that any funds remaining in the Urban Renewal Tax Increment fund at the end of the bond term will be transferred to the Special Revenue, Secondary Roads Fund to reimburse Urban Renewal Project expenditures incurred by the Secondary Roads Fund in accordance with the bond agreement.

A summary of the County's June 30, 2004 bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2005	6.125 %	\$ 80,000	\$ 9,900	\$ 89,900
2006	6.250	80,000	5,000	85,000
Total		<u>\$ 160,000</u>	<u>\$ 14,900</u>	<u>\$ 174,900</u>

The County retired \$70,000 in principal on the bonds during the year ended June 30, 2004.

MARION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2004

Note 7. Long-Term Liabilities (continued)

Courthouse Improvement Bonds Payable

During the year ended June 30, 2004, the County issued \$600,000 in general obligation courthouse improvement bonds with interest rates ranging from 2.5% to 3.8%. The proceeds will be used to help defray the costs associated with the courthouse roof replacement.

A summary of the County's June 30, 2004, general obligation courthouse improvement bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2005	2.50 %	\$ 50,000	\$ 18,865	\$ 68,865
2006	2.50	55,000	17,615	72,615
2007	2.50	55,000	16,240	71,240
2008	2.70	55,000	14,865	69,865
2009	2.95	60,000	13,380	73,380
2010	3.25	60,000	11,610	71,610
2011	3.45	60,000	9,660	69,660
2012	3.60	65,000	7,590	72,590
2013	3.70	70,000	5,250	75,250
2014	3.80	70,000	2,660	72,660
		<u>\$ 600,000</u>	<u>\$ 117,735</u>	<u>\$ 717,735</u>

Non-current Interfund Loan

The General Supplemental Fund within the General Fund account loaned the General Basic Fund within the General Fund Account \$1,000,000 on June 30, 2004 to help temporarily finance the courthouse roof repair project. The loan will be paid back to the General Supplemental Fund over a 10 year period at 2% interest. The County combines these two funds into the General Fund for reporting purposes so this loan is not reflected in the financial statements.

Note 8. Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2004

Note 8. Pension and Retirement Benefits (continued)

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages are 4.99% and 7.48%, respectively. Contribution requirements are established by State statute. The County's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$321,723, \$311,848, and \$292,560, respectively, equal to the required contributions for each year.

Note 9. Risk Management

Marion County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 490 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2004 were \$229,373.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks, including automobile physical damage, are also reinsured on an individual member basis.

## MARION COUNTY

### NOTES TO FINANCIAL STATEMENTS Year Ended June 30, 2004

#### Note 9. Risk Management (continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the County's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### Marion County Employee Health Plan

Marion County has an administrative services agreement with Wellmark Blue Cross and Blue Shield to administer a self-funded employee health benefit plan known as the Marion County Employee Health Plan. Monthly payments of service fees and contributions to fund the plan are paid to the Marion County Auditor, trustee for the plan. The monthly payments of service fees and plan contributions are recorded as expenditures at the time of the payment to the trustees. Under the agreement, payments for service fees and paid claims are remitted to Wellmark Blue Cross and Blue Shield of Iowa on a monthly basis. At June 30, 2004, the Marion County Employee Health Plan had deficit net assets of \$(147,771).

The County purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 120% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of \$35,000 in insured claims for any single covered individual. Settled claims have not exceeded the commercial coverage in any of the past three plan years.

MARION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2004

Note 9. Risk Management (continued)

Marion County Employee Health Plan (continued)

The change in the incurred but not reported and unpaid claims liability for the year ended June 30, 2004 is as follows:

Unpaid claims at July 1, 2003	\$ 125,603
Incurred claims and claim adjustments	1,202,727
Claims paid	<u>(1,175,439)</u>
Unpaid claims at June 30, 2004	\$ <u>152,891</u>

The County also carries commercial insurance purchased from the insurers for coverage associated with workers compensation and employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Construction Commitment

The County has entered into contracts totaling \$315,590, including change orders, for various road repair and other construction projects. In addition, the County had carryover commitments totaling \$2,965,179, including change orders, for other construction projects. As of June 30, 2004, costs of \$2,525,257 have been incurred against the contracts. The balance remaining at June 30, 2004 of \$755,512 will be paid as work on the projects progresses.

Note 11. Contingent Liabilities

Landfill Closure Assurance Guaranty

The County participates in an agreement with the South Central Iowa Solid Waste Agency, a political subdivision created under Chapter 28E of the Code of Iowa. The purpose of the Agency includes providing economic disposal of solid waste produced or generated within the member counties and municipalities.

State and federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The closure and post-closure costs to the Agency have been estimated at \$2,368,200. The Agency has begun to accumulate resources to fund these closure costs, and as of June 30, 2004, expects to hold deposits of \$1,171,737 for these purposes. The Agency is required to accumulate the full amount of funds required for closure and post-closure during the life of the landfill. However, it must have additional mechanisms in place at all times during the life of the landfill to equal 100 percent of the current cost estimates.

The County has provided a Local Government Guaranty for a portion of the closure and post-closure costs of the landfill as per Chapter 111.6(8) of the Iowa Administrative Code. The County's financial assurance obligation equals \$390,566. By providing a Local Government Guaranty, no liability has been recognized on the County's financial statements.

MARION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2004

Note 12. Restatement of Beginning Balances

During the year ended June 30, 2004, the County made one-time only adjustments to the capital asset depreciation system to more accurately reflect the accumulated depreciation on capital assets. The adjustments had the following effects on balances as previously reported.

	<u>Net Assets</u>	<u>Capital Assets (net )</u>
Balance as previously reported at June 30, 2003	\$ 20,139,069	\$ 12,714,388
Increase in accumulated depreciation	<u>(193,415)</u>	<u>(193,415)</u>
Balance as restated at July 1, 2003	<u>\$ 19,945,654</u>	<u>\$ 12,520,973</u>

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## Required Supplementary Information

# MARION COUNTY

## Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds Required Supplementary Information Year Ended June 30, 2004

	Actual	Budgeted Amounts		Final to Net Variance
		Original	Final	
<b>RECEIPTS:</b>				
Property and other County tax	\$ 7,159,725	\$ 6,814,656	\$ 7,152,656	\$ 7,069
Interest and penalty on property tax	115,175	5,000	5,000	110,175
Intergovernmental	6,671,971	6,405,701	6,515,891	156,080
Licenses and permits	17,952	21,500	21,500	(3,548)
Charges for service	1,478,563	1,226,278	1,229,278	249,285
Use of money and property	93,328	93,000	93,577	(249)
Miscellaneous	492,616	208,905	327,988	164,628
Total receipts	<u>16,029,330</u>	<u>14,775,040</u>	<u>15,345,890</u>	<u>683,440</u>
<b>DISBURSEMENTS:</b>				
Public safety and legal services	1,989,109	2,252,393	2,263,543	274,434
Physical health and social services	2,117,821	2,550,752	2,550,752	432,931
Mental health	2,353,130	2,865,041	2,865,041	511,911
County environment and education	1,011,949	1,098,882	1,098,882	86,933
Roads and transportation	4,464,337	4,530,275	4,642,575	178,238
Government services to residents	427,291	494,464	494,464	67,173
Administration	1,770,418	1,889,801	2,008,884	238,466
Debt service	95,254	84,100	84,100	(11,154)
Capital projects	2,639,691	1,073,700	2,824,909	185,218
Total disbursements	<u>16,869,000</u>	<u>16,839,408</u>	<u>18,833,150</u>	<u>1,964,150</u>
Excess (deficiency) of receipts over (under) disbursements	(839,670)	(2,064,368)	(3,487,260)	2,647,590
Other financing sources, net	<u>620,800</u>	<u>21,000</u>	<u>616,201</u>	<u>4,599</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(218,870)	(2,043,368)	(2,871,059)	2,652,189
Balance beginning of year	<u>6,518,465</u>	<u>4,433,914</u>	<u>4,433,914</u>	<u>2,084,551</u>
Balance end of year	<u>\$ 6,299,595</u>	<u>\$ 2,390,546</u>	<u>\$ 1,562,855</u>	<u>\$ 4,736,740</u>

See accompanying independent auditor's report.

# MARION COUNTY

## Budgetary Comparison Schedule – Budget to GAAP Reconciliation Required Supplementary Information Year Ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 16,029,330	\$ (8,490)	\$ 16,020,840
Expenditures	16,869,000	431,227	17,300,227
Net	(839,670)	(439,717)	(1,279,387)
Other financing sources	620,800	-	620,800
Beginning fund balances	6,518,465	1,173,680	7,692,145
Ending fund balances	<u>\$ 6,299,595</u>	<u>\$ 733,963</u>	<u>\$ 7,033,558</u>

See accompanying independent auditor's report.

## MARION COUNTY

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2004

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund and capital projects funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment increased budgeted disbursements by \$1,993,742. This budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2004, disbursements exceeded the amount budgeted in the Debt Service function.

## Other Supplementary Information

MARION COUNTY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2004

	Special Revenue				
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Emergency Medical Service	Conservation Land Acquisition	Resource Enhancement and Protection
Assets					
Cash and pooled investments	\$ 28,148	\$ 22,749	\$ 1,303	\$ 287,285	\$ 212,730
Receivables:					
Property tax:					
Delinquent	-	-	-	-	-
Succeeding year	-	-	-	-	-
Accounts	881	-	-	-	-
Accrued interest	47	-	-	-	751
Due from other governments	-	-	-	-	-
Total assets	<u>\$ 29,076</u>	<u>\$ 22,749</u>	<u>\$ 1,303</u>	<u>\$ 287,285</u>	<u>\$ 213,481</u>
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue:					
Succeeding year taxes	-	-	-	-	-
Other	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:					
Fund balances:					
Reserved for:					
Debt service	-	-	-	-	-
Unreserved	<u>29,076</u>	<u>22,749</u>	<u>1,303</u>	<u>287,285</u>	<u>213,481</u>
Total fund equity	<u>29,076</u>	<u>22,749</u>	<u>1,303</u>	<u>287,285</u>	<u>213,481</u>
Total liabilities and fund equity	<u>\$ 29,076</u>	<u>\$ 22,749</u>	<u>\$ 1,303</u>	<u>\$ 287,285</u>	<u>\$ 213,481</u>

See accompanying independent auditor's report.

County Government Assistance	Local Option Sales and Services Tax	Sheriff's Forfeiture	Courthouse Security	Debt Service		Total
				Courthouse Roof	Urban Renewal Tax Increment	
\$ 101,974	\$ 26,653	\$ 3,349	\$ 16,087	\$ 2,414	\$ 17,065	\$ 719,757
-	-	-	-	217	-	217
-	-	-	-	70,000	93,000	163,000
110	-	-	-	-	-	991
-	-	-	-	-	-	798
-	70,578	-	-	-	-	70,578
<u>\$ 102,084</u>	<u>\$ 97,231</u>	<u>\$ 3,349</u>	<u>\$ 16,087</u>	<u>\$ 72,631</u>	<u>\$ 110,065</u>	<u>\$ 955,341</u>
\$ 1,094	\$ 9,071	\$ -	\$ 2,059	\$ -	\$ -	\$ 12,224
-	-	-	-	70,000	93,000	163,000
-	-	-	-	195	-	195
<u>1,094</u>	<u>9,071</u>	<u>-</u>	<u>2,059</u>	<u>70,195</u>	<u>93,000</u>	<u>175,419</u>
-	-	-	-	2,436	17,065	19,501
100,990	88,160	3,349	14,028	-	-	760,421
<u>100,990</u>	<u>88,160</u>	<u>3,349</u>	<u>14,028</u>	<u>2,436</u>	<u>17,065</u>	<u>779,922</u>
<u>\$ 102,084</u>	<u>\$ 97,231</u>	<u>\$ 3,349</u>	<u>\$ 16,087</u>	<u>\$ 72,631</u>	<u>\$ 110,065</u>	<u>\$ 955,341</u>

MARION COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2004

	Special Revenue				
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Emergency Medical Service	Conservation Land Acquisition	Resource Enhancement and Protection
Revenues:					
Property and other County tax	\$ -	\$ -	\$ -	\$ -	-
Intergovernmental	-	-	5,559	50,000	14,404
Charges for service	9,680	22,689	-	112,260	-
Use of money and property	292	60	-	-	1,489
Miscellaneous	-	-	-	-	-
Total revenues	9,972	22,749	5,559	162,260	15,893
Expenditures:					
Operating:					
Public safety and legal services	-	-	5,559	-	-
Government services to residents	7,689	-	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	41,499	-
Total expenditures	7,689	-	5,559	41,499	-
Excess (deficiency) of revenues over (under) expenditures	2,283	22,749	-	120,761	15,893
Other financing sources (uses):					
Interfund transfers in	-	-	-	-	-
General obligation bonds issued (net issuance costs of \$4,800)	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	2,283	22,749	-	120,761	15,893
Fund balances beginning of year	26,793	-	1,303	166,524	197,588
Fund balances end of year	\$ 29,076	\$ 22,749	\$ 1,303	\$ 287,285	\$ 213,481

See accompanying independent auditor's report.



County Government Assistance	Local Option Sales and Services Tax	Sheriff's Forfeiture	Courthouse Security	Debt Service		Capital Projects	Total
				Courthouse Roof	Urban Renewal Tax Increment		
\$ -	\$ 204,509	\$ -	\$ -	\$ 22	\$ 72,594	\$ -	\$ 277,125
50,998	-	-	-	-	-	-	120,961
1,114	-	-	7,769	-	-	-	153,512
-	-	-	-	576	310	-	2,727
-	-	705	-	-	-	-	705
52,112	204,509	705	7,769	598	72,904	-	555,030
-	-	801	3,558	-	-	-	9,918
-	-	-	-	-	-	-	7,689
-	-	-	-	11,154	84,100	-	95,254
61,969	116,349	-	-	-	-	582,208	802,025
61,969	116,349	801	3,558	11,154	84,100	582,208	914,886
(9,857)	88,160	(96)	4,211	(10,556)	(11,196)	(582,208)	(359,856)
-	-	-	-	-	235	-	235
-	-	-	-	12,992	-	582,208	595,200
-	-	-	-	12,992	235	582,208	595,435
(9,857)	88,160	(96)	4,211	2,436	(10,961)	-	235,579
110,847	-	3,445	9,817	-	28,026	-	544,343
\$ 100,990	\$ 88,160	\$ 3,349	\$ 14,028	\$ 2,436	\$ 17,065	\$ -	\$ 779,922

MARION COUNTY  
STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUND  
June 30, 2004

	Self-Funded Health <u>Insurance</u>
Assets	
Cash and cash equivalents	\$ <u>5,120</u>
Liabilities	
Health claims incurred but not reported	<u>152,891</u>
Net Assets	
Unrestricted	\$ <u><u>(147,771)</u></u>
See accompanying independent auditor's report.	

## MARION COUNTY

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
Year Ended June 30, 2004

	Self-Funded Health Insurance	Self-Funded Collision Liability	Total
Operating revenues:			
Contributions for insurance	\$ 1,068,276	\$ -	\$ 1,068,276
Operating expenses:			
Medical claims	1,202,727	-	1,202,727
Miscellaneous	8,131	-	8,131
Total operating expenses	<u>1,210,858</u>	<u>-</u>	<u>1,210,858</u>
Operating loss	<u>(142,582)</u>	<u>-</u>	<u>(142,582)</u>
Non-operating revenues:			
Interest on investments	<u>214</u>	<u>9</u>	<u>223</u>
Non-operating expenses:			
Transfer to General Fund to close	<u>-</u>	<u>118,172</u>	<u>118,172</u>
Net income (loss)	(142,368)	(118,163)	(260,531)
Net assets beginning of year	<u>(5,403)</u>	<u>118,163</u>	<u>112,760</u>
Net assets end of year	<u><u>\$ (147,771)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (147,771)</u></u>

See accompanying independent auditor's report.

MARION COUNTY  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 Year Ended June 30, 2004

	Self-Funded Health Insurance	Self-Funded Collision Liability	Total
Cash flows from operating activities:			
Cash received for insurance contributions	\$ 1,068,276	\$ -	\$ 1,068,276
Cash payments for insurance claims	(1,175,439)	-	(1,175,439)
Cash payments of fees and other	(8,131)	-	(8,131)
Net cash used in operating activities	<u>(115,294)</u>	<u>-</u>	<u>(115,294)</u>
Cash flows from capital and related financing activities:			
Cash transferred to close fund	<u>-</u>	<u>(118,172)</u>	<u>(118,172)</u>
Cash flows from investing activities:			
Redemption of investments	119,782	-	119,782
Interest on investments	189	9	198
Net cash provided by investing activities	<u>119,971</u>	<u>9</u>	<u>119,980</u>
Net increase (decrease) in cash and cash equivalents	4,677	(118,163)	(113,486)
Cash and cash equivalents at beginning of year	<u>443</u>	<u>118,163</u>	<u>118,606</u>
Cash and cash equivalents at end of year	<u>\$ 5,120</u>	<u>\$ -</u>	<u>\$ 5,120</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (142,582)	\$ -	\$ (142,582)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Increase in health claims incurred but not reported	<u>27,288</u>	<u>-</u>	<u>27,288</u>
Net cash used in operating activities	<u>\$ (115,294)</u>	<u>\$ -</u>	<u>\$ (115,294)</u>

See accompanying independent auditor's report.

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## MARION COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS

June 30, 2004

	County Offices		Board of Supervisors	
	County Auditor	County Recorder	Congregate Meals	Care Facility
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ -	-
Other County officials	3,750	45,363	137,124	75,325
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	3,847	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ <u>3,750</u>	\$ <u>49,210</u>	\$ <u>137,124</u>	\$ <u>75,325</u>
LIABILITIES				
Accounts payable	\$ 125	\$ 29,167	\$ -	-
Salaries and benefits payable	-	-	-	-
Due to other governments	-	20,035	-	-
Trusts payable	3,625	8	137,124	75,325
Compensated absences	-	-	-	-
Total liabilities	\$ <u>3,750</u>	\$ <u>49,210</u>	\$ <u>137,124</u>	\$ <u>75,325</u>

<u>Agricultural Extension Education</u>	<u>County Assessor</u>	<u>Area Schools</u>	<u>Schools</u>	<u>Corporations</u>	<u>E-911 Surcharge</u>	<u>Veteran Affairs</u>
\$ (1,304)	\$ 22,566	\$ 8,507	\$ 238,598	\$ 92,797	\$ 154,450	\$ 426
-	-	-	-	-	-	-
518	946	1,662	45,983	15,691	-	-
156,000	286,000	502,000	13,483,000	7,230,000	-	-
-	-	-	-	-	46,499	-
-	-	-	-	-	243	-
-	-	-	-	-	-	-
<u>\$ 155,214</u>	<u>\$ 309,512</u>	<u>\$ 512,169</u>	<u>\$ 13,767,581</u>	<u>\$ 7,338,488</u>	<u>\$ 201,192</u>	<u>\$ 426</u>
\$ -	\$ 5,257	\$ -	\$ -	\$ -	\$ 4,639	\$ -
-	2,409	-	-	-	764	-
155,214	288,825	512,169	13,767,581	7,338,488	195,789	426
-	-	-	-	-	-	-
-	13,021	-	-	-	-	-
<u>\$ 155,214</u>	<u>\$ 309,512</u>	<u>\$ 512,169</u>	<u>\$ 13,767,581</u>	<u>\$ 7,338,488</u>	<u>\$ 201,192</u>	<u>\$ 426</u>

## MARION COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS

June 30, 2004

	<u>Townships</u>	<u>City Special Assessments</u>	<u>Auto License and Use Tax</u>	<u>Brucellosis and Tuberculosis Eradication</u>
<b>ASSETS</b>				
Cash and pooled investments:				
County Treasurer	\$ 7,258	\$ 18,119	\$ 605,985	\$ 58
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	1,395	-	-	11
Succeeding year	341,000	-	-	3,000
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
	<hr/>			
Total assets	<u>\$ 349,653</u>	<u>\$ 18,119</u>	<u>\$ 605,985</u>	<u>\$ 3,069</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ 22,868	\$ -
Salaries and benefits payable	-	-	-	-
Due to other governments	349,653	18,119	583,117	3,069
Trusts payable	-	-	-	-
Compensated absences	-	-	-	-
	<hr/>			
Total liabilities	<u>\$ 349,653</u>	<u>\$ 18,119</u>	<u>\$ 605,985</u>	<u>\$ 3,069</u>



<u>Local Empowerment</u>	<u>Title III</u>	<u>Tax Sale Redemption</u>	<u>Fire District</u>	<u>Emergency Management</u>	<u>Jail Canteen</u>	<u>Chore Service</u>
\$ 28,996	\$ 10	\$ 369	\$ 38	\$ 25,164	\$ 16,263	\$ 8,739
-	-	-	-	-	-	-
-	-	-	28	-	-	-
-	-	-	2,000	-	-	-
-	-	-	-	-	-	2,623
-	-	-	-	-	-	-
-	17,995	-	-	28,927	-	-
<u>\$ 28,996</u>	<u>\$ 18,005</u>	<u>\$ 369</u>	<u>\$ 2,066</u>	<u>\$ 54,091</u>	<u>\$ 16,263</u>	<u>\$ 11,362</u>
\$ -	\$ 6,199	\$ -	\$ -	\$ 1,685	\$ 16,263	\$ 553
-	-	-	-	-	-	-
28,996	-	-	2,066	50,834	-	-
-	11,806	369	-	-	-	10,809
-	-	-	-	1,572	-	-
<u>\$ 28,996</u>	<u>\$ 18,005</u>	<u>\$ 369</u>	<u>\$ 2,066</u>	<u>\$ 54,091</u>	<u>\$ 16,263</u>	<u>\$ 11,362</u>

MARION COUNTY  
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2004

	Recorder's Electronic Transaction Fee	Advance Tax Payments	Public Transportation	Anatomical Gift, Public Awareness and Transportation	Total
<b>ASSETS</b>					
Cash and pooled investments:					
County Treasurer	\$ -	\$ 10,601	\$ 25,134	\$ 116	\$ 1,262,890
Other County officials	-	-	-	-	261,562
Receivables:					
Property tax:					
Delinquent	-	-	-	-	66,234
Succeeding year	-	-	-	-	22,003,000
Accounts	4,405	-	-	-	57,374
Accrued interest	-	-	-	-	243
Due from other governments	-	-	8,930	-	55,852
Total assets	\$ <u>4,405</u>	\$ <u>10,601</u>	\$ <u>34,064</u>	\$ <u>116</u>	\$ <u>23,707,155</u>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ 21,425	\$ -	\$ 108,181
Salaries and benefits payable	-	-	-	-	3,173
Due to other governments	4,405	-	-	116	23,318,902
Trusts payable	-	10,601	12,639	-	262,306
Compensated absences	-	-	-	-	14,593
Total liabilities	\$ <u>4,405</u>	\$ <u>10,601</u>	\$ <u>34,064</u>	\$ <u>116</u>	\$ <u>23,707,155</u>

See accompanying independent auditor's report.

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## MARION COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 Year Ended June 30, 2004

	County Offices			Board of Supervisors	
	County Auditor	County Recorder	County Sheriff	Congregate Meals	Care Facility
Balances beginning of year, as restated	\$ 3,412	\$ 87,458	\$ 25	\$ 134,544	\$ 67,546
Additions:					
Property and other County tax	-	-	-	-	-
State tax credits	-	-	-	-	-
Payments to states in lieu of real estate taxes	-	-	-	-	-
E-911 surcharge	-	-	-	-	-
Office fees and collections	1,783	529,129	174,870	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	354	2,929	303,408	2,580	64,915
Emergency management - performance grants	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total additions	2,137	532,058	478,278	2,580	64,915
Deductions:					
Agency remittances:					
To other funds	1,745	355,988	171,749	-	-
To other governments	-	211,397	3,121	-	-
Trusts paid out	54	2,921	303,433	-	57,136
Total deductions	1,799	570,306	478,303	-	57,136
Balances end of year	\$ 3,750	\$ 49,210	\$ -	\$ 137,124	\$ 75,325

<u>Agricultural Extension Education</u>	<u>County Assessor</u>	<u>Area Schools</u>	<u>Schools</u>	<u>Corporations</u>	<u>E-911 Surcharge</u>	<u>Veterans Affairs</u>
\$ <u>151,496</u>	\$ <u>286,453</u>	\$ <u>519,564</u>	\$ <u>13,933,508</u>	\$ <u>7,299,956</u>	\$ <u>216,237</u>	\$ <u>424</u>
157,055	288,125	503,606	13,538,574	7,202,071	-	-
7,381	13,376	25,057	683,696	254,638	-	-
53	95	180	50,972	4,079	-	-
-	-	-	-	-	188,780	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	424	-	-	-	2,012	2
<u>164,489</u>	<u>302,020</u>	<u>528,843</u>	<u>14,273,242</u>	<u>7,460,788</u>	<u>190,792</u>	<u>2</u>
-	-	-	-	-	-	-
160,771	278,961	536,238	14,439,169	7,422,256	205,837	-
-	-	-	-	-	-	-
<u>160,771</u>	<u>278,961</u>	<u>536,238</u>	<u>14,439,169</u>	<u>7,422,256</u>	<u>205,837</u>	<u>-</u>
\$ <u>155,214</u>	\$ <u>309,512</u>	\$ <u>512,169</u>	\$ <u>13,767,581</u>	\$ <u>7,338,488</u>	\$ <u>201,192</u>	\$ <u>426</u>

## MARION COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS

Year Ended June 30, 2004

	<u>Townships</u>	<u>City Special Assessments</u>	<u>Auto License and Use Tax</u>	<u>Brucellosis and Tuberculosis Eradication</u>
Balances beginning of year, as restated	\$ <u>372,247</u>	\$ <u>3,008</u>	\$ <u>605,768</u>	\$ <u>3,491</u>
Additions:				
Property and other County tax	346,681	-	-	3,504
State tax credits	21,007	-	-	174
Payments to states in lieu of real estate taxes	7,012	-	-	2
E-911 surcharge	-	-	-	-
Office fees and collections	-	-	-	-
Auto licenses, use tax and postage	-	-	7,011,148	-
Assessments	-	29,881	-	-
Trusts	-	-	-	-
Emergency management - performance grants	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	<u>374,700</u>	<u>29,881</u>	<u>7,011,148</u>	<u>3,680</u>
Deductions:				
Agency remittances:				
To other funds	-	-	265,844	-
To other governments	397,294	14,770	6,745,087	4,102
Trusts paid out	-	-	-	-
Total deductions	<u>397,294</u>	<u>14,770</u>	<u>7,010,931</u>	<u>4,102</u>
Balances end of year	\$ <u><u>349,653</u></u>	\$ <u><u>18,119</u></u>	\$ <u><u>605,985</u></u>	\$ <u><u>3,069</u></u>

<u>Local Empowerment</u>	<u>Title III</u>	<u>Tax Sale Redemption</u>	<u>Fire District</u>	<u>Emergency Management</u>	<u>Jail Canteen</u>	<u>Chore Service</u>
\$ 13,413	\$ 13,937	\$ 369	\$ 2,121	\$ 15,674	\$ 13,003	\$ 9,239
-	-	-	2,038	-	-	-
-	-	-	129	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	269,627	484,108	-	-	8,709	22,203
-	-	-	-	24,600	-	-
204,648	-	-	-	106,740	-	-
204,648	269,627	484,108	2,167	131,340	8,709	22,203
-	-	-	-	-	-	-
189,065	-	-	2,222	92,923	-	-
-	265,559	484,108	-	-	5,449	20,080
189,065	265,559	484,108	2,222	92,923	5,449	20,080
\$ 28,996	\$ 18,005	\$ 369	\$ 2,066	\$ 54,091	\$ 16,263	\$ 11,362

## MARION COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS

Year Ended June 30, 2004

	<u>Refund</u>	<u>Recorder's Electronic Transaction Fee</u>	<u>Advance Tax Payments</u>	<u>Public Transportation</u>
Balances beginning of year	\$ <u>245</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>34,522</u>
Additions:				
Property and other County tax	-	-	-	-
State tax credits	-	-	-	-
Payments to states in lieu of real estate taxes	-	-	-	-
E-911 surcharge	-	-	-	-
Office fees and collections	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	-	10,601	187,328
Emergency management - performance grants	-	-	-	-
Miscellaneous	-	48,400	-	-
Total additions	<u>-</u>	<u>48,400</u>	<u>10,601</u>	<u>187,328</u>
Deductions:				
Agency remittances:				
To other funds	-	-	-	-
To other governments	245	43,995	-	-
Trusts paid out	-	-	-	187,786
Total deductions	<u>245</u>	<u>43,995</u>	<u>-</u>	<u>187,786</u>
Balances end of year	\$ <u><u>-</u></u>	\$ <u><u>4,405</u></u>	\$ <u><u>10,601</u></u>	\$ <u><u>34,064</u></u>

See accompanying independent auditor's report.



<u>Anatomical Gift Public Awareness and Transportation</u>	<u>Total</u>
\$ <u>51</u>	\$ <u>23,787,711</u>
-	22,041,654
-	1,005,458
-	62,393
-	188,780
-	705,782
-	7,011,148
-	29,881
-	1,356,762
-	24,600
222	362,448
<u>222</u>	<u>32,788,906</u>
8	795,334
149	30,747,602
-	1,326,526
<u>157</u>	<u>32,869,462</u>
\$ <u>116</u>	\$ <u>23,707,155</u>

## MARION COUNTY

## SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST FOUR YEARS

	Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Property and other County tax	\$ 7,303,657	\$ 6,763,743	\$ 6,633,010	\$ 6,376,740
Interest and penalty on property tax	116,541	107,211	90,942	73,885
Intergovernmental	6,546,840	6,400,619	6,261,229	6,407,281
Licenses and permits	16,233	17,870	24,753	14,145
Charges for service	1,446,105	1,366,522	1,357,874	1,149,064
Use of money and property	93,558	118,457	190,352	389,138
Fines, forfeitures and defaults	-	-	7,526	8,920
Miscellaneous	497,906	202,915	118,644	90,622
Total revenues	<u>\$ 16,020,840</u>	<u>\$ 14,977,337</u>	<u>\$ 14,684,330</u>	<u>\$ 14,509,795</u>
Expenditures:				
Current:				
Public safety ad legal services	\$ 1,990,856	\$ 2,056,108	\$ 1,799,633	\$ 1,594,192
Physical health and social services	2,125,821	2,099,290	2,542,961	2,246,410
Mental health	2,392,307	2,441,388	2,479,037	2,440,158
County environment and education services	1,059,881	888,512	811,142	669,659
Roads and transportation	4,438,694	4,267,427	4,118,209	4,416,895
Government services to residents	428,293	431,916	384,511	321,067
Administrative services	1,952,111	1,525,962	1,537,234	1,336,271
Debt service	95,254	82,918	86,656	85,031
Capital projects	2,817,010	927,039	69,385	167,069
Total expenditures	<u>\$ 17,300,227</u>	<u>\$ 14,720,560</u>	<u>\$ 13,828,768</u>	<u>\$ 13,276,752</u>

See accompanying independent auditor's report.

MARION COUNTY  
SCHEDULE OF TITLE III ACTIVITY  
Year Ended June 30, 2004

## Additions:

Special program for the aging - Title III part C nutrition services	\$ 58,804	
Food distribution cash	14,471	
Senior living program	6,555	
Donations and contributions	162,052	
Food distribution commodities	<u>27,745</u>	\$ 269,627

## Deductions:

Site manager	64,473	
Cooks	40,282	
FICA, IPERS, and health insurance	23,000	
Food and provisions	79,241	
Supplies	3,556	
Postage	259	
Travel and training	15,707	
Telephone and utilities	8,724	
Trash removal	1,160	
Rental building	17,817	
Equipment and repair	7,566	
Miscellaneous	<u>3,774</u>	<u>265,559</u>

Net 4,068

Balance beginning of year 13,937

Balance end of year \$ 18,005

See accompanying independent auditor's report.

## MARION COUNTY

## SCHEDULE OF PUBLIC TRANSPORTATION ACTIVITY

Year Ended June 30, 2004

	<u>Public Transportation</u>	
Additions:		
Federal Transit Administration - HIRTA	\$ 35,711	
State Transit Administration - HIRTA	32,493	
Title III Part B - Grants for Supportive Services and Senior Centers	24,000	
Elderly waiver	4,316	
Senior living	10,110	
Senior citizen fares	37,598	
Local contributions from county	36,147	
United Way	4,500	
Miscellaneous	2,453	\$ 187,328
Deductions:		
Wages and benefits	129,704	
Fuel	15,711	
Office supplies	639	
Sheriff transportation	1,692	
Employee mileage reimbursement	296	
Telephone	413	
Equipment expense	20,663	
Utilities	550	
Administration	7,271	
City in-kind expenses	8,779	
Miscellaneous	2,068	187,786
Net		(458)
Balance beginning of year		34,522
Balance end of year		\$ 34,064

See accompanying independent auditor's report.

MARION COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2004

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Program Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561	FY 04	\$ <u>10,728</u>
Iowa Department of Health:			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5883A053	98,174
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5884A053	<u>198,517</u>
			<u>296,691</u>
Iowa Department of Agriculture:			
WIC Farmers' Market Nutrition Program	10.572	1191-99-53	<u>944</u>
Aging Resources of Central Iowa:			
Food Donation	10.550	FY 04	<u>42,216</u>
Department of Justice:			
Governor's Office of Drug Control Policy:			
Local Law Enforcement Block Grants Program	16.592	03LE-0129	<u>3,150</u>
Department of Transportation:			
Heart of Iowa Regional Transit Agency:			
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	FY 04	<u>35,711</u>
Department of Public Safety:			
Iowa Department of Public Safety:			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	PAP-0302, Task 6	106
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	PAP-04-163, Task 45	<u>3,500</u>
			<u>3,606</u>

MARION COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2004

Grantor/Program	CFDA Number	Grant Number	Program Expenditures
Indirect (continued):			
Department of Health and Human Services:			
Iowa Department of Human Services:			
Social Services Block Grant	93.667	FY 04	\$ <u>113,837</u>
Administration on Aging:			
Aging Resources of Central Iowa:			
Special Programs for the Aging -			
Title III Part B - Grants for Supportive Services and Senior Centers	93.044	FY 04	<u>37,500</u>
Title III Part C - Nutrition Services	93.045	FY 04	<u>58,804</u>
Title III Part D - In-home Services for Frail Older Individuals	93.046	FY 04	<u>9,749</u>
Human Services Administrative Reimbursements:			
Medical Assistance Program	93.778	FY 04	13,978
Social Services Block Grant	93.667	FY 04	9,154
Temporary Assistance for Needy Families	93.558	FY 04	13,923
Foster Care - Title IV - E	93.658	FY 04	6,370
Refugee and Entrant Assistance State Administered Program	93.566	FY 04	47
Adoption Assistance	93.659	FY 04	1,692
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	FY 04	<u>2,544</u> <u>47,708</u>
Iowa Department of Health:			
Centers for Disease Control and Prevention -			
Investigations and Technical Assistance	93.283	5883BT53	9,754
Centers for Disease Control and Prevention -			
Investigations and Technical Assistance	93.283	5883NB16	1,104
Centers for Disease Control and Prevention -			
Investigations and Technical Assistance	93.283	5884NB18	<u>5,880</u> <u>16,738</u>
Maternal Child Health Services Block Grant to the States	93.994	5883A053	20,118
Maternal Child Health Services Block Grant to the States	93.994	5884A053	<u>50,907</u> <u>71,025</u>

MARION COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2004

Grantor/Program	CFDA Number	Grant Number	Program Expenditures
Indirect (continued):			
Department of Homeland Security:			
Iowa Department of Public Defense:			
Emergency Management Performance Grants	97.042	FY 04	\$ 24,600
State and Local All Hazards Emergency Operations	97.051	PLAN	9,785
Citizen Corps	97.053	CERT	5,786
State Domestic Preparedness Equipment Support Program	97.004	FY 03	10,750
Total			\$ 799,328

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Marion County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Officials of Marion County:

We have audited the financial statements of Marion County, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated January 28, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Marion County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the basic financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved for items IV-A-04 IV-K-04, IV-L-04 and IV-M-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marion County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Marion County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-04 is a material weakness. Prior year reportable conditions have all been resolved except for item II-A-04.



This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Marion County and other parties to whom Marion County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Marion County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa  
January 28, 2005

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE

To the Officials of Marion County:

Compliance

We have audited the compliance of Marion County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Marion County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Marion County's management. Our responsibility is to express an opinion on Marion County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marion County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Marion County's compliance with those requirements.

In our opinion, Marion County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Marion County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Marion County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Marion County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no material weaknesses during the course of our audit.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Marion County and other parties to whom Marion County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa  
January 28, 2005

MARION COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2004

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 10.557 Special Supplemental Nutrition Program for Women, Infants and Children
  - CFDA Number 93.667 Social Services Block Grant
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Marion County did not qualify as a low-risk auditee.

MARION COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2004

Part II: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-04 Segregation of Duties

Comment – During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	County Care Facility, Recorder, Treasurer
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks or handle or record cash.	Ag Extension, County Care Facility, Recorder, Sheriff, Treasurer
(3) Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment.	County Care Facility, Recorder, Sheriff

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review.

MARION COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

Part II: Findings Related to the General Purpose Financial Statements (continued):

REPORTABLE CONDITIONS (continued):

II-A-04 Segregation of Duties (continued)

Responses –

Ag Extension – We will review procedures and try to make any necessary changes to improve internal control.

County Care Facility – We will review procedures and try to make any necessary changes to improve internal control.

County Recorder – We will review procedures and try to make any necessary changes to improve internal control.

County Sheriff - We will review procedures and try to make any necessary changes to improve internal control.

County Treasurer – We have improved procedures during the year and will try to make any necessary changes to improve internal control in the future.

Conclusion – Responses accepted.

II-B-04 Apportionment of Tax Collections – County Treasurer

Comment – The County Treasurer did not test the first apportionments of tax and related collections to various entities related to tax increment financing districts. As a result, the collections related to tax increment financing (TIF) districts was apportioned wrongly for several months into the fiscal year. The result was misapportionments and subsequent corrections of \$973,553 in tax and related collections. The Ag Extension fund was apportioned \$6,077 too much which has yet to be corrected as of the audit date.

Recommendation – The County should test the first apportionment made in each year to determine that all rates and levies have been entered into the system correctly. The Ag Extension Fund error should be corrected as soon as possible.

Response – We tested the first apportionment made for the year. However, in our test, we neglected to select a TIF district. We will do so in the future to prevent any further misapportionments of tax collections. We will investigate the reasons for the continuing discrepancy in the Ag Extension Fund and will make the necessary adjustments.

Conclusion – Response accepted.

MARION COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2004

Part II: Findings Related to the General Purpose Financial Statements (continued):

REPORTABLE CONDITIONS (continued):

II-C-04 Timeliness of Deposits

Comment – Out of 25 receipts examined one was not deposited on a timely basis.

Recommendation – Receipts should be deposited weekly at a minimum if daily deposits are not possible in order to properly safeguard the asset.

Response – This particular item was received in an outer office and not deposited with the Treasurer in a timely fashion. We have adjusted our control procedures so this will not happen again.

Conclusion – Response accepted.

MARION COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2004

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

No matters were noted.



MARION COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-04 Official Depositories – A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were exceeded at Wells Fargo Bank for the Recorder’s Fees account during year.

Recommendation – A new resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted. The Recorder’s Fees account should be raised to \$75,000 and the Vital Statistics account should be raised to \$10,000.

Response – We will increase the depository limits to adequately cover all balances. We will monitor our depository limits more closely in the future and adjust and set limits accordingly.

Conclusion – Response accepted.

- IV-B-04 Certified Budget – Disbursements during the year ended June 30, 2004 exceeded the amount budgeted in the Debt Service function. Disbursements also exceeded budgeted amounts in the County Assessor’s Office.

Recommendation – The budgets for the County and the County Assessor should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will amend the County budget when required in the future. This was a procedural error for the Assessor’s office this year whereby the Assessor’s FICA and IPERS expenditure levels were omitted from the overall budgeted expenditure total. The Assessor will amend the budget as required in the future.

Conclusion – Response accepted.

- IV-C-04 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted. However, we noted one instance where the County paid a vendor twice for a \$116 Mental Health related expenditure.

Recommendation – Review procedures should be implemented to prevent any such double payments in the future. The County should request a refund for the overpayment.

Response – Our County Central Point Coordinator will write a letter to the vendor and request a reimbursement. This was an isolated instance. However, we will improve our review procedures to ensure this does not reoccur.

Conclusion – Response accepted.

- IV-D-04 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

- IV-E-04 Business Transactions – No business transactions between the County and County officials or employees were noted.

MARION COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

Part IV: Other Findings Related to Required Statutory Reporting (continued):

IV-F-04    Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.

IV-G-04    Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not. However, we noted that the Board went into a closed session but did not list the Code of Iowa section which allows for such closed session.

Recommendation – The county should document the specific section in Iowa Code Chapter 21.5 which allows for a closed session of the Board for each closed session.

Response – This was an oversight in our minutes this session. We will include the proper Code references in all future closed sessions.

Conclusion – Response accepted.

IV-H-04    Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County's investment policy were noted.

IV-I-04    Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-J-04    County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2004 for the County Extension Office did not exceed the amount budgeted.

The Board Treasurer's bond covered the amount required by Chapter 176A.14(5) of the Code of Iowa.

We noted that the minutes for one meeting were not signed by the Ag Extension Council.

Recommendation – The Council should insure that all future minutes are properly signed.

Response – This was an oversight for one meeting. All future minutes will be properly signed.

Conclusion – Response accepted.

MARION COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

Part IV: Other Findings Related to Required Statutory Reporting (continued):

- IV-K-04 Salary Approvals – Salaries for deputies, assistants, and clerks are required to be set by the deputies’ principal officers and turned in to the Board for certification. Officers do not turn the salary proposals over to the Board for the certification process as required by section 331.904(1) of the Code of Iowa.

Recommendation – All principal officers should notify the Board of the proposed salaries for deputies, assistants, and clerks, and the Board should certify all salaries in the future.

Response – We will certify all salaries in the future as required.

Conclusion – Response accepted.

- IV-L-04 Financial Reporting – The County Care Facility annual report was not published in a timely manner.

Recommendation – Chapter 347B.3 of the Code of Iowa requires the Care Facility annual report to be published by September 1 following year end. This report should be published in a timely manner in the future, including detailed receipts, total expenditures, and total inventory values.

Response – This was an oversight for this year. We will publish the annual report on a timely basis in the future.

Conclusion – Response accepted.

- IV-M-04 Deficit Net Assets – The Internal Service Fund, Self-Funded Health Insurance had a deficit net assets balance of \$147,771 at June 30, 2004.

Recommendation – The County should contact the Iowa Insurance Commission and develop a recovery plan to restore the Self-Funded Health Insurance to a sound financial position.

Response – We will contact the Insurance Commission and we will restore the Fund to a healthy financial position. We have raised our premiums accordingly for next fiscal year.

Conclusion – Response accepted.

- IV-N-04 Treasurer’s Annual Report – The Treasurer’s annual report of receipts, disbursements and outstanding warrants against each fund does not list each fund with its associated warrants outstanding individually as required by Iowa Code Section 349.16(3).

Recommendation – The County should separate all funds and list each fund individually on the annual report, as required.

Response – We will look into this problem and make the necessary changes.

Conclusion – Response accepted.

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